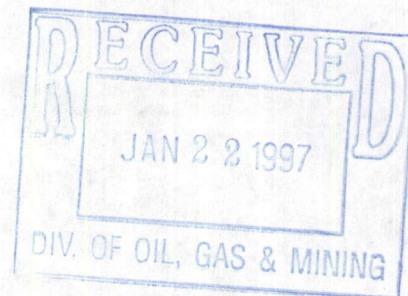


STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940



ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) Jan. 1996 To (mo./yr.) Jan. 1997
 2. DOGM File Number (Mine No): M / 037 / 040
 3. Mine Name: Velvet Mine
 4. Mineral(s) Mined (or permitted to mine): Uranium and Vanadium
 5. Type of mine ☐ Surface Mine or ☒ Underground Mine
 6. Legal Description (Location of Lands Affected):
1/4, 1/4, Section 3, Township 31S, Range 25E
1/4, 1/4, Section , Township , Range
1/4, 1/4, Section , Township , Range
 7. Name of Operator or Company: U.S. ENERGY CORP.
 8. Permanent Street Address: 877 North 8th West
City, State, Zip: Riverton, WY 82501
Phone: (307) 856-9271
 9. Company Representative (or designated operator):
Name: Kenneth Webber
Title: Environmental Coordinator
Business Address: 877 North 8th West
City, State, Zip: Riverton, WY 82501
Phone: (307) 856-9271
- ☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was the mine active during the past year? Yes ☐ No ☐
2. If active, how much ore or mineral was mined? No production, but dewatering was initiated on August 8, 1996 and suspended on September 23, 1996

3. How much **additional acreage** was disturbed during the past year? None.
4. Briefly describe any new or additional surface disturbances that occurred during the past year. This description should include the type of work performed, and volume of material moved.

5. How much acreage was **reclaimed** during the past year? _____

6. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.

7. What is the **total disturbed acreage** at years end? _____

8. Briefly summarize any mining and/or reclamation plans for the upcoming year.

There are no plans for reclamation. The treatment plant and mine site will remain on a care and maintenance basis until a decision is made in 1997 to dewater the mine for evaluation and preparation of mining operations. A limited amount of maintenance work will be done on the toe of the spoil pile.

NOTE: Section III., "Additional Information" applies only to **large mining operations**.

III. Additional Information

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

IV. Signature Requirement

I hereby certify that the foregoing is true and correct.

Name (Typed or Print):

Kenneth Webber

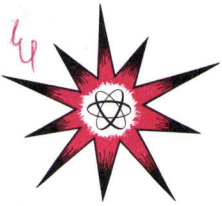
Title of Operator:

Environmental Coordinator

Signature of Operator:

Date:

January 15, 1997

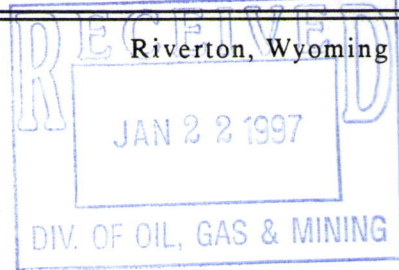


U. S. ENERGY / CRESTED CORP.

877 North 8th West

(307) 856-9271

Riverton, Wyoming 82501



January 15, 1997

Mr. D. Wayne Hedberg
Permit Supervisor
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

Re: Annual Report for the year 1996.
U.S. Energy Corp.

Dear Mr. Hedberg:

Please find enclosed the completed annual report for the Velvet Mine, Mine No. M/037/040.

Yours truly,

Kenneth Webber
Environmental Coordinator

KW/ms